

DEPARTMENT OF THE INTERIOR

Minerals Management Service (MMS)

Outer Continental Shelf (OCS) Western Gulf of Mexico (GOM) Oil and Gas Lease Sale 192

AGENCY: Minerals Management Service, Interior

ACTION: Proposed Notice of Sale (PNOS) 192

SUMMARY: The MMS proposes to hold Western GOM Oil and Gas Lease Sale 192 on August 18, 2004, in accordance with provisions of the OCS Lands Act (43 U.S.C. 1331-1356, as amended) and the regulations issued thereunder (30 CFR Part 256).

DATES: On August 18, 2004, Western GOM Oil and Gas Lease Sale 192 will be held at a New Orleans hotel site to be determined. Public bid reading will begin at 9:00 a.m. All times referred to in this document are local New Orleans times, unless otherwise specified.

ADDRESSES: The Proposed Notice of Sale 192 Package (PNOS 192 Package) contains information essential to potential bidders. Interested parties can obtain a Package by writing or calling the:

Gulf of Mexico Region Public Information Unit
Minerals Management Service
1201 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394
Telephone: (504) 736-2519 or (800) 200-GULF
MMS Homepage Address on the Internet: www.mms.gov

BID SUBMISSION DEADLINE: Bidders will be required to submit bids to the MMS at the Gulf of Mexico Region (1201 Elmwood Park Boulevard, New Orleans, Louisiana, 70123-2394) by 10:00 a.m. on the day before the sale, Tuesday, August 17, 2004. The MMS will specify procedures for bid submission in the Final Notice of Sale 192 (FNOS 192).

PROPOSED SALE AREA: The MMS proposes to offer for bid in this sale all of the unleased acreage in the Western GOM Planning Area except:

Whole blocks and portions of blocks which lie within the boundaries of the Flower Garden Banks National Marine Sanctuary at the East and West Flower Garden Banks and Stetson Bank (the following list includes all blocks affected by the Sanctuary boundaries):

High Island, East Addition, South Extension (Area TX7C)

Whole Blocks: A-375, A-398

Portions of Blocks: A-366, A-367, A-374, A-383, A-384, A-385, A-388, A-389, A-397, A-399, A-401

High Island, South Addition (Area TX7B)

Portions of Blocks: A-502, A-513

Garden Banks (Area NG15-02)

Portions of Blocks: 134, 135

Whole blocks and portions of blocks which lie within the 1.4 nautical mile buffer zone north of the continental shelf boundary between the United States and Mexico:

Keathley Canyon (Area NG15-05)

Portions of Blocks: 978 through 980

Sigsbee Escarpment (Area NG15-08)

Whole Blocks: 11, 57, 103, 148, 149, 194, 239, 284, 331 through 341

Portions of Blocks: 12 through 14, 58 through 60, 104 through 106, 150, 151, 195, 196, 240, 241, 285 through 298, 342 through 349

STATUTES AND REGULATIONS: Each lease issued in this lease sale is subject to the OCS Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), hereinafter called "the Act"; all regulations issued pursuant to the Act and in existence upon the Effective Date of the lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the OCS and the protection of correlative rights therein; and all other applicable statutes and regulations.

LEASE TERMS AND CONDITIONS: Initial period, extensions of initial period, minimum bonus bid amount, rental rates, royalty rates, minimum royalty, and royalty suspension areas are shown on the map "Lease Terms and Economic Conditions, Lease Sale 192, Proposed" for leases resulting from this lease sale:

Initial Period: 5 years for blocks in water depths of less than 400 meters; 8 years for blocks in water depths of 400 to 799 meters; and 10 years for blocks in water depths of 800 meters or deeper;

Extensions of Initial Period: Extensions may be granted for eligible leases on blocks in water depths less than 400 meters as specified in NTL No. 2000-G22;

Minimum Bonus Bid Amount: A bonus bid amount of \$25 per acre or fraction thereof for blocks in water depths of less than 400 meters and a bonus bid amount of \$37.50 per acre or fraction thereof for blocks in water depths of 400 meters or deeper;

Rental Rates: \$5 per acre or fraction thereof for blocks in water depths of less than 200 meters and \$7.50 per acre or fraction thereof for blocks in water depths of 200 meters or deeper, to be paid on or before the first day of each lease year until a discovery in paying quantities of oil or gas, then at the expiration of each lease year until the start of royalty-bearing production;

Royalty Rates: 16-2/3 percent royalty rate for blocks in water depths of less than 400 meters and a 12-1/2 percent royalty rate for blocks in water depths of 400 meters or deeper, except during periods of royalty suspension, to be paid monthly on the last day of the month next following the month during which the production is obtained;

Minimum Royalty: After the start of royalty-bearing production: \$5 per acre or fraction thereof per year for blocks in water depths of less than 200 meters and \$7.50 per acre or fraction thereof per year for blocks in water depths of 200 meters or deeper, to be paid at the expiration of each

lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due;

Royalty Suspension Areas: Royalty suspension, subject to gas price thresholds, will apply to blocks in water depths less than 200 meters where new deep gas (15,000 feet or greater subsea) is drilled and commences production before March 1, 2009. In addition, subject to both oil and gas price thresholds, royalty suspension will apply in water depths of 400 meters or deeper; see the map "Lease Terms and Economic Conditions, Lease Sale 192, Proposed" for specific areas and the "Royalty Suspension Provisions, Lease Sale 192, Proposed" document contained in the PNOS 192 Package for specific details regarding royalty suspension eligibility, applicable price thresholds and implementation. **[Note: The MMS continues to study the issue of establishing appropriate price thresholds for deepwater production and will make a final decision for this sale in the final Notice of Sale (scheduled for July 2004).]**

LEASE STIPULATIONS: The map "Stipulations and Deferred Blocks, Lease Sale 192, Proposed" depicts the blocks on which one or more of five lease stipulations apply: (1) Topographic Features; (2) Military Areas; (3) Operations in the Naval Mine Warfare Area; (4) Law of the Sea Convention Royalty Payment; and (5) Protected Species. The texts of the stipulations are contained in the document "Lease Stipulations for Oil and Gas Lease Sale 192, Proposed" included in the PNOS 192 Package.

INFORMATION TO LESSEES: The PNOS 192 Package contains an "Information To Lessees" document which provides detailed information on certain specific issues pertaining to this proposed oil and gas lease sale.

BONUS BID DEPOSIT: Each bidder submitting an apparent high bid must submit a bonus bid deposit to the MMS equal to one-fifth of the bonus bid amount for each such bid. Under the authority granted by 30 CFR 256.46(b), the MMS requires bidders to use electronic funds transfer procedures for payment of one-fifth bonus bid deposits for Lease Sale 192. Such payment will be due by 1:00 p.m. Eastern Time the day following bid reading. In addition, certain bid submitters [i.e., those that are NOT currently an OCS mineral lease record title holder or designated operator OR those that have ever defaulted on a one-fifth bonus bid payment (EFT or otherwise)] will be required to guarantee (secure) their one-fifth bonus bid payment prior to the submission of bids. The MMS will specify the detailed bid deposit procedures in the PNOS 192 Package.

GEOPHYSICAL DATA AND INFORMATION STATEMENT: Pursuant to 30 CFR 251.12, the MMS has a right to access geophysical data and information collected under a permit in the OCS.

Every bidder submitting a bid on a block in Sale 192, or participating as a joint bidder in such a bid, must submit a Geophysical Data and Information Statement identifying any processed or reprocessed pre- and post-stack depth migrated geophysical data and information in its possession or control and used in the evaluation of that block. The existence, extent (i.e., number of line miles for 2D or number of blocks for 3D) and type of such data and information must be clearly identified. The statement must include the name and phone number of a contact person, and an alternate, knowledgeable about the depth data sets (that were processed or reprocessed to correct for depth) used in evaluating the block. In the event such data and information includes data sets from different timeframes, you should identify only the most recent data set used for block evaluations.

The statement must also identify each block upon which a bidder participated in a bid but for which it does not possess or control such depth data and information.

The MMS will specify additional detailed procedures in the FNOS 192 Package regarding these geophysical data and information statements. Please also refer to NTL No. 2003-G05 for more detail concerning submission of the Geophysical Data and Information Statement, making the data available to the MMS following the lease sale, preferred format, reimbursement for costs, and confidentiality.

UPCOMING MILESTONES: After the Governors of the affected states (Louisiana and Texas) have had an opportunity to comment on the size, timing, and location of the proposed lease sale, as required by section 19 of the Act, the Assistant Secretary for Land and Minerals Management will make a decision on the FNOS 192. The Department of the Interior reserves the right to revise the areas proposed for bidding and associated terms and conditions described in this proposed notice. If the Assistant Secretary decides to proceed with the lease sale, a FNOS for Western GOM Oil and Gas Lease Sale 192 will be published in the Federal Register at least 30 days prior to the date of the public bid reading. A FNOS 192 Package containing all lease sale terms and conditions and detailed instructions to bidders will also be available at that time from the MMS Gulf of Mexico Public Information Unit and on our web site at www.mms.gov.